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IMPEDIMENTS AND DISINCENTIVES TO TRADE AMONG DEVELOPING COUNTRIES: A SURVEY

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I. INTRODUCTION AND SUMMARY

1. During the last seven years, trade among developing countries has increased in absolute terms and as a share of total world trade. Also, the share of non-traditional exports in total developing countries exports has increased significantly. These positive signs, however, conceal the great disparity between different developing regions and countries regarding their trade performance. Moreover, the recent increase does not fully compensate the sharp fall in South-South trade that occurred in the early 1980s. Trade among developing countries is still the weakest link in world trade.

2. This paper attempts to identify the major obstacles hindering South-South trade and propose measures to overcome them. In this respect, a distinction is made between structural obstacles, i.e. those that can be removed only by structural, long-term policies, and obstacles created by policy (particularly trade policy).

3. Chapter II reviews the main trends in South-South trade in recent years. The overall trend indicates a sharp decline in the developing countries' share of world trade in the first half of the 1980s, with some recovery from 1986 onwards. This general trend, however, masks significant differences in the trade performance of developing countries. There is also a significant increase in the share of manufactures in developing country exports.

4. Chapter III reviews structural obstacles to South-South trade, i.e. those obstacles which are responsive only in the long run to policy action and/or form a part of the conditions of the economy in question: non-diversity of exportables, lack of good transport links, higher-than-average insurance costs, lack of marketing and distribution skills, and financial obstacles. Most of these obstacles hamper developing countries' exports to both developed and other developing countries, but tend to be particularly important in the latter case. It is pointed out that foreign direct investment has played a significant role in the expansion of exports, especially for non-traditional products.

5. Chapter IV deals with policy induced obstacles to South-South trade. It is argued that by simplifying and reducing tariff structures vis-a-vis other developing countries and removing non-tariff barriers, South-South trade can increase substantially. Other significant obstacles that might be eliminated or reduced through government action are the obstacles related to monetary issues, such as currency convertibility, and disincentives, comprising biased internal tax and subsidy systems.

II. MAIN TRENDS IN SOUTH-SOUTH TRADE

A. Three stages in South-South trade

6. During the last 20 years, trade among developing countries registered three distinct stages:

(a) During the 1970s, South-South trade grew both in absolute and relative terms (see statistical annex, table I). In US dollar terms, it increased more than 12 times, from an admittedly low base of 11.2 billion in 1970 to 142.4 billion in 1980. In relative terms and in the course of the same years, it grew from 3.6 per cent to 7,1 per cent of total world trade.

(b) The first half of the 1980s showed a reversed pattern. Trade among developing countries declined to US$ 117.4 billion in 1986. In relative terms the decline continued into 1987, when South-South trade accounted for only 5.3 per cent of world trade.

(c) In the period 1987-1991, South-South trade almost doubled in absolute terms to reach US$ 221.2 billion in 1991. However, given the growth of world trade, the improvement in relative terms was not so significant. The record absolute amount of South-South trade in 1991 accounted for only 6.3 per cent of total world trade, well below the early 1980s relative magnitude.

B. Differences between developing countries

7. This overall pattern hides notable differences between distinct developing regions. While South and South-East Asia's share of world trade increased steadily from 2.3 per cent in 1980 to 4.1 per cent in 1991, the other developing regions saw their share of world trade decline from 4.8 per cent to 2.2 per cent. Similarly, South and South-East Asia's export share in South-South exports moved from 32 per cent in 1970 to 65 per cent in 1991, while the other regions' share dropped from 68 per cent to 35 per cent.

8. These regional differences are explained by the difference in the relative severity of the world recession of the early 1980s in various regions. The South and South-East Asian countries' performance reflected the better economic conditions prevailing there, namely, the lower level of debt servicing, the greater adaptability to the changing economic environment, the continued availability of commercial credit and the less profound effect of the decline in world prices of commodities, because of the higher diversification of these economies as compared with other developing regions.

9. A positive correlation can be identified between trade and GDP growth. South and South-East Asia, by far the most dynamic region in terms of international trade, is also the region where GDP growth figures are higher. On the other hand, Africa registered the smaller rates of both GDP and trade growth. Although it is beyond the scope of this paper to look at the causality between these two variables, it seems that a certain level of economic development is a precondition for a sustainable and consistent increase in trade[1].

C. Destination of developing countries' exports

10. With the exception of Africa, trade of developing countries seems to be less biased towards industrial countries than it used to be. Moreover, the share of exports going to developing countries is higher in developing countries than in industrial economies (see table 1).

11. These figures may be influenced by higher-than-average shares of exports within the same region due, inter alia, to geographical proximity (see analysis in UNCTAD/ECDC/242, on the basis of coefficients of trade intensity).

D. Composition of trade

12. As for the composition of trade, there is a marked increase in the share of manufactured goods in developing countries' exports. Overall, manufactured goods accounted for more than 56 per cent of developing countries' exports to other developing countries in 1990, more than double the share in 1980. South and South-East Asia are again responsible for most of this trade, since 72.29 per cent of its exports to developing countries in 1990 were manufactures. The equivalent percentages for the other regions were as follows: Latin America 47.61, Africa 30.27, West Asia 19.46 (see statistical annex, table II).

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[1] Correlation between GDP and export growth was found to be close to 70 per cent for a sample of 66 non-oil exporting developing countries. See "Analysis of trade and trade strategies among developing countries", UNCTAD/ECDC/242, 22 June 1994.

Table 1. Share of exports to developing countries (percentage)		
Region	1970	1991
Latin America	19.4	23.4
Africa	11.4	13.4
West Asia	20.7	35.8*
South and South-East Asia	28.6	32.7
World	19.0	22.7

* The ratio for non-oil exports is similar at 37 per cent.

Source: Derived from statistical annex, table I

13. Among the products that recorded particularly high rates of growth in intra-developing country trade during the last decade were semi-manufactured products (leather manufactures, knitted fabrics), resource-based manufactured goods, and a number of products embodying capital and skill intensities such as office machines, automatic data processing equipment, television receivers, sound recorders, and musical and optical instruments.

14. Again, for most of the above-mentioned products, especially the last-mentioned, trade is concentrated in a small number of developing countries.

III. STRUCTURAL OBSTACLES TO SOUTH-SOUTH TRADE

15. The growth of trade between developing countries registered in the last five years in both absolute and relative terms seems to indicate that there is potential for this trade to increase. However, several barriers still exist. Some of these obstacles are **structural**, i.e. not policy-induced, and are only indirectly influenced by policies in the short term.

A. Non-diversity of exportables

16. The first of these obstacles is the similarity of exportables of many developing countries. In a sample of 108 developing countries[2], it was found that 33 rely on only three products[3] for more than 80 per cent of their exports (see table 2). If the basket is enlarged to eight products, 29 more countries are included. All the products in these baskets, with the exception of refined petroleum products exported by some oil-producing countries, are commodities.

17. Over the past two decades the most dynamic component of trade among developing countries has been trade in manufactures. Therefore, although the potential may exist to increase trade among developing countries in some commodities, the present production and export structure of the above-mentioned

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[2] The countries listed in table 4.3 of the Handbook of International Trade and Development Statistics, 1992.

[3] At the three-digit level of SITC revision 2.

Table 2. Concentration of developing country exports	
Countries and territories where the share of three most-exported products in total exports exceeds 80 per cent	Algeria, Angola, Bahamas, Bahrain, Brunei Darussalam, Burkina Faso, Burundi, Congo, Cuba, Dominica, Gabon, Guinea, Iran (Islamic Republic), Iraq, Libyan Arab Jamahiriya, Malawi, Mauritania, Nepal, Netherlands Antilles, New Caledonia, Niger, Nigeria, Oman, Qatar, Reunion, Rwanda, Saudi Arabia, Somalia, Uganda, United Arab Emirates, Venezuela, Zaire, Zambia
Countries and territories where the share of eight most-exported products in total exports exceeds 80 per cent	Afghanistan, Belize, Bolivia, Central African Republic, Côte d'Ivoire, Dominican Republic, Ecuador, Ethiopia, Fiji, Ghana, Guadeloupe, Guyana, Honduras, Jamaica, Kuwait, Liberia, Mali, Martinique, Mauritius, Myanmar, Nicaragua, Papua New Guinea, Paraguay, Solomon Islands, Sudan, Syrian Arab Republic, Togo, Tonga, Trinidad and Tobago

Source: Statistical annex, table III

62 countries and territories can be considered a major obstacle to any important increase in South-South trade. This will continue to be the case unless measures are taken to diversify and develop production.

18. The remaining group of 46 countries comprises, as should be expected, the dynamic South and South-East Asian economies, as well as the most developed countries of Latin America and Africa.

19. In chapter IV, where the policy-induced obstacles to trade are dealt with, a more thorough analysis of a sample of this group of countries will be made.

B. Transport links

20. Transportation links among developing countries are much inferior, in quality and quantity, to those of the developed economies. Freight costs, moreover, are higher in developing countries than in industrial ones. While, on average, freight costs in 1990 were 4.4 per cent of the c.i.f. import value of developed market economies, the equivalent figure for developing countries was double that, at 8.8 per cent in 1990[4].

21. These proportions are much higher for land-locked developing countries: 22 per cent for land-locked developing countries in West Africa, 16.5 per cent in East Africa and 14 per cent in Latin America. As for exports, freight costs can reach 47 per cent of the f.o.b. export value of several commodities.

22. Moreover, the above-mentioned figures do not reflect in full the particular handicap faced by South-South trade due to higher-than-average transport costs. Most of the transport infrastructure of developing countries was set up with a

[4] "International transport costs facing land-locked developing countries", UNCTAD/LDC/Misc.10,.27 March 1993.

view to supporting South-North trade; transport costs among developing countries are even higher than those referred above.

C. Insurance costs

23. Insurance costs, like freight costs, are normally higher for trade among developing countries than for South-North or North-North trade, the difference reaching 60 per cent in some cases.[5] Moreover, some exporters in developing countries simply can not find insurance for their exports, independently of price. This has been the case for Malawi, but also for other land-locked countries neighbouring insecure regions disrupted by war and unrest.

24. Attempts have been made to create regional insurance and reinsurance mechanisms[6] and thus reduce costs, but the significance and influence of those mechanisms remains limited.

25. Reducing the insurance costs in developing countries depends on the improvement of transit infrastructure, services and procedures but also on a choice of insurers free of restrictions and more extensive and comprehensive reinsurance facilities[7].

D. Marketing and distribution skills

26. The import substitution policies prevailing until recently in many developing countries and the severe restrictions on imports that were used to enforce those policies led local firms to operate in "soft sellers' markets" where competition is weak and shortages are bound to appear.

27. As a consequence, domestic manufacturers did not develop the skills necessary for a good export performance. Manufactured products for export are generally quite different from products manufactured for local markets. Exports have to be shipped as complete packages, ready for the end user. Therefore, they must meet all buyer specifications concerning packaging (labels, printed instructions, exterior printing, packing materials), as well as those related to raw materials, colour, finish, styling, and technical features. These specifications may change quite often for some products. Also, exporters have to meet the requirements regarding health, environment, safety and other aspects set by the government of the importing countries.

28. Moreover, lack of experience is in itself a serious handicap. Most buyers prefer to place orders with suppliers who have already considerable export experience and know-how and who can be expected to perform reliably in every way.

29. This situation hinders exports of manufactures from developing countries to developed and developing countries alike. However, the absence in importing developing countries of large retailers, specialized importers or trading companies, and wholesalers offering after-sales service presents a particular barrier to South-South trade.

30. In this context, one should mention the important role of trade facilitation provided by developed countries' commercial attachés acting as trade information

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[5] "Insurance in developing countries: an assessment and review of developments (1989-1993)", UNCTAD/SDD/INS/2/Rev.1, 5 April 1994.

[6] The Preferential Trade Area for Eastern and Southern African States (PTA) reinsurance company started operations on 1 January 1993 after the signature of the agreement creating it by PTA member countries.

[7] "Improvement of current transit insurance arrangements for land-locked developing countries", UNCTAD/LDC/Misc.14, 21 April 1994.

agents. Developing countries' embassies normally lack these agents who would provide a much needed information network to facilitate trade, especially South-South trade.

31. The public trade promotion organizations established in many developing countries to overcome the problems mentioned above seem to have remained ineffective in most cases. Keesing and Singer[8] present six main factors that contributed to this lack of efficiency: the unsuitability of government employees for the task, the inflexibility of government procedures in regard to expenditures and staffing, the confusion of purpose resulting from the assumption of regulatory and administrative roles, the perpetuation of wrong attitudes and strategies, misguided evenhandedness, and the neglect of the development of commercial services.

E. Financial obstacles

32. A developing country cannot achieve a good trade performance without financial support and related non-financial services to export firms. Bankers in these countries often apply strict banking criteria regarding eligibility, security, and profitability, which discourage the emerging small and medium-sized exporter, particularly of non-traditional products.

33. Special export financing schemes for both pre- and post-shipment credit loans, designed to overcome this problem, need to be established in developing countries. This would enable potential exporters, who cannot meet the stringent financial terms imposed by the banks, especially with respect to collateral security, to have access to essential export credit and non-financial services.

34. High costs and lack of access to export trade finance, in both pre-shipment and post-shipment stages, have seriously impeded exporters' efforts to offer competitive financial terms to foreign buyers. There appears to be insufficient awareness within national banking communities of various special schemes that could be introduced in order to remove these handicaps, without undermining the normal security criteria applied by the banks.

35. The specific national measures should include reorientation of the banking sector to make it more positive towards export activity, including the establishment of special financing schemes such as export credit guarantee and insurance schemes, and external trade support services such as financial counselling of entrepreneurs and advice on shipping documents and customs regulations.

36. An UNCTAD study[9] found that only 16 developing countries possessed specialized export financing and guarantee schemes, with a further group of 12 offering some form of trade promotion facilities. For the rest, the dominant characteristic of their institutions was their inadequacy to provide full support and meet the needs of local exporters for finance, insurance and guarantee.

37. As an example, a more recent analysis of the export finance mechanisms in the West Asian region[10] concluded that only two countries, Egypt and Oman, have such mechanisms in place, both of them presenting important shortcomings.

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[8] Keesing, Donald B. and Andrew Singer, "Development assistance gone wrong: failures in services to promote and support manufactured exports" in World Bank, The Role of Support Services in Expanding Manufactured Exports in Developing Countries, 1991 (EDI Seminar Series).

[9] "Trade financing in developing countries: an assessment and evaluation of existing schemes and future requirements", TD/B/1300/Supp.1, 2 August 1991.

[10] "The export finance mechanisms in the ESCWA region", E/ESCWA/DPD/1993/10, 5 September 1993.

F. Foreign direct investment

38. Developing countries with high rates of trade growth have also registered high growth rates of incoming foreign direct investment (FDI). Such is the case of the ASEAN countries, notably Singapore, Malaysia and Indonesia. In these countries, where FDI has played a significant role, it has also made a considerable contribution to export development.

39. FDI also plays a major role in determining the destination of exports. Since many foreign investors have their home markets in mind when investing in developing countries, a strong incentive to shift the destination of exports to industrial countries is introduced.

40. At present, many developing countries are bidding to attract FDI to improve their international competitiveness, modernize their industries and develop their export capacity. However, policies in host countries need to be strengthened to facilitate this investment flow. In particular, logistical support, information and active financial and fiscal encouragements and guarantees must be provided before the foreign firm relocates production in a developing country.

41. Moreover, developing countries must strengthen the capabilities of their domestic enterprises to make them fit partners for foreign investors. The availability of domestic suppliers of materials, components and services has also become one of the most important criteria for location of foreign investments. Government assistance to that end ranges from fiscal and financial measures to advisory, contact and related services. Governments of some successful countries have also assumed an active role in marketing their country as host for FDI in negotiations with foreign governments or potential investors.

G. Structural obstacles may be removed by structural policies

42. It should be noted that, although the obstacles mentioned in this chapter are separated from policy-induced problems, they are to a certain degree influenced by the economic-policy environment of the country and are, in the short run, amenable to policy action. Transport and communication costs are not only a function of distance, weight or value. Investment or change of regulations affecting this sector can also have a profound impact on costs. The same argument applies to the effects that general economic policy can have on the production structure of a country through providing incentives, financing and investment resources, if not through direct action in the form of industrial policies.

IV. POLICY-INDUCED OBSTACLES TO SOUTH-SOUTH TRADE

A. Tariffs

43. It is possible to identify some common features and trends of developing countries' trade control measures.

44. First and foremost, tariff levels are relatively high in most developing countries, when compared with developed countries. Import taxation is, on average, eight times higher in developing countries than in developed economies (measured in terms of the ad valorem incidence of realized border charges on imports)[11].

45. The following qualifications must be made to this observation: (i) although higher than in developed countries, import duties in developing countries have

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[11] "Trade expansion among developing countries: constraints and measures to overcome them", TD/B/1260, 9 August 1990.

fallen sharply in the last five years, mainly as a result of unilateral trade liberalization policies; (ii) remarkable divergences exist between different developing countries, as described in the paragraphs below; (iii) some developing countries, especially the least developed ones, still rely to a large extent on import taxes for a significant part of government revenue, making it very difficult to lower tariff levels.

46. In many developing countries, tariffs are lower for capital goods and raw materials than for intermediate and finished goods. Therefore, the effective rate of protection of each specific industry tends to be higher than the nominal rate. As capital goods tend to be imported from the industrial world, this type of tariff structure penalizes imports from other developing regions.

47. Developing countries tend to nurture similar industries at the same time, with the result that the pattern of protection tends to be similar, and industries which are the first to become export-competitive in given countries tend, as a result, to be the most highly protected in others. The implication is that developing countries' products having the highest trade potentials based on comparative advantage are often the most highly protected in other developing countries.

48. Such products as furniture, footwear, apparel and clothing accessories, travel goods and passenger motor vehicles, which have been among the fastest-growing exports to the North, are subject to average tariff rates well above 38 per cent, while the average for manufactured products as a whole is 25 per cent. A detailed analysis of a selected sample of typical developing countries is in section D below.

B. Non-tariff measures

49. Tariffs are a relatively simple and straightforward obstacle to trade. However, many other trade control measures exist[12] which, lacking a better definition, are usually referred as non-tariff measures. These include quotas, prohibitions, licensing, advance payment requirements, "a potentially unlimited plethora of policies, perhaps as yet uninvented, that alter, however indirectly, the prices and/or quantities of trade"[13].

50. What is true for tariffs applies equally to non-tariff measures. The products most frequently subject to some form of quantitative restriction (quotas, licences, total or partial prohibition) are often those that play a significant role in developing countries' exports. Textiles, machinery and transport equipment, pulp and paper and products of animal origin are the products which are most likely to be subject to some form of quantitative restriction.

51. As significant reductions in tariff levels took place in the last five years, the relative importance of non-tariff barriers as an obstacle to trade increased, which explains much of the recent concern with this type of trade control measure. The elimination or reduction of non-tariff measures and their replacement by tariffs, which some developing countries undertook in the last five years is still, in most cases, a process well behind the reduction of tariffs. Hence, it is important for developing countries to pay the same attention to non-tariff barriers as they have done for tariffs and to exert the same liberalizing influence on them.

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[12] The UNCTAD coding system of trade control measures lists more than 100 different types of tariff and non-tariff trade control measures.

[13] Deardorff, A. V. and Stern, M., 1979, "Weak links in the chain of comparative advantage", Journal of International Economics, vol. 9, pp. 197-209.

C. Need for further reductions in trade barriers

52. Both the level and the structure of import taxation and non-tariff barriers in developing countries present a barrier to the expansion of South-South trade by penalizing products which, due to resource endowment (agro-based consumer goods) and relative factor endowment (manufactured labour-intensive goods) have gained the highest comparative advantage on the world markets. It is clear that negotiations among developing countries resulting in mutual reductions in trade barriers would provide an important stimulus to South-South trade.

53. In this context, it is worth mentioning the Global System of Trade Preferences among Developing Countries (GSTP). This scheme has been in operation since April 1989. Forty countries have ratified the agreement and extended concessions confined, in the first round of negotiations, to tariffs. A significant volume of trade under GSTP has been reported by a number of countries. In 1990, the value of GSTP preferential imports to 11 countries[14] was nearly US$ 1,558 million.

54. However, special efforts are still needed to expand GSTP membership and, especially, product coverage. The amount of imports benefiting from preferential treatment in 1990 (US$ 1.56 billion, as seen before) represents less than 1 per cent of the total imports of the countries concerned. In some cases, member countries concessions were made in products for which they have a strong competitive advantage, thus eliminating the potential positive effects of trade expansion.

55. Progress is also needed on direct trade measures and non-tariff measures. The first round of GSTP negotiations did not address this area, thus notably reducing the reach of GSTP. Also, many concessions made in the first round of negotiations, which took place in 1989, have since been eroded as a result of the trade liberalization policies towards all countries followed by many developing economies.

56. The second round of negotiations, now taking place, addresses all these problems. Four negotiation groupings were established: (i) facilitation of accession; (ii) product-by-product negotiation; (iii) across-the-board tariff negotiations and (iv) direct trade measures and non-tariff and sectoral agreements.

D. Trade regimes of particular developing countries

57. Although the above-mentioned features and trends are common to most developing countries, some differences still remain. The main features of some developing countries' trade regime is thus examined below[15]. These countries were included in the sample due to the relative diversification of their production and export structures (all belong to group D in the statistical annex, table III), their different levels of development, their different geographical location. Some countries that also fulfil the above requirements were not included due to lack of data.

58. **Indonesia**. MFN duty ranges from 5 per cent to 30 per cent on most agricultural and food products, raw materials, semi-processed industrial outputs, machinery and equipment. Prepared foodstuffs and industrial consumer goods are mostly subject to a higher rate of 40 per cent. However, motor cycles and passenger cars are subject to a rate of either 100 per cent or 200 per cent.

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[14] Bangladesh, Bolivia, Iraq, Mexico, Peru, Republic of Korea, Romania, Sri Lanka, Thailand, Trinidad and Tobago, Yugoslavia.

[15] Data presented in this chapter and related to trade control measures are taken from Trade Analysis and Information System (TRAINS) of UNCTAD. The Directory of Import Regimes (UNCTAD/DMS/2) summarizes part of the data contained in TRAINS.

Several goods, mostly agro-based consumer goods and petrochemicals, are subject to a customs surcharge ranging from 10 per cent to 30 per cent. Another category of products, mainly chemical products, has a 5 per cent to 25 per cent import surcharge. Several imports are prohibited (e.g. public transport motor vehicles).

59. As a member of ASEAN, Indonesia grants duty reductions of 25 per cent to 50 per cent to goods of ASEAN origin falling within 2,998 tariff lines.

60. **Brazil.** A comprehensive tax reform programme was introduced in February 1991 with a timetable extending until 1993: the average tariff rate, which reached the level of 51 per cent in 1987, fell to 14.2 per cent in July 1993. Modal rates decreased from 40 per cent in 1988 to 20 per cent in 1991. The maximum tariff rate, which was 105 per cent in 1989, was reduced to 35 per cent in 1993.

61. As far as export policies are concerned, the BEFIEX programme (a scheme of fiscal benefits) and the mechanism of income-tax reduction for profits from sales abroad have been dismantled since 1990.

62. Brazil made around 100 concessions in GSTP which came into effect in 1991. Brazil is a member of the Latin American Integration Association (LAIA), granting a 40 per cent reduction in the rates for LAIA less developed countries, 28 per cent for intermediate-developed members and 20 per cent for other members. However, only 1.9 per cent of total Brazilian imports from LAIA countries came under regional trade preferences. Brazil is also a member of the Southern Cone Common Market (Mercosur), a common market envisaging the total freedom of circulation of goods among its members by the end of 1995.

63. **China.** Duties up to 60 per cent are levied on mineral products, up to 100 per cent on industrial products and up to 150 per cent on agricultural products as well as leather, wood and paper articles. Motor vehicles are subject to rates from 120 per cent to 220 per cent. These rates apply to the 80 countries with which China has signed trade treaties or agreements containing MFN clauses. For other countries duties are 30 per cent higher on average. Import surcharges from 5 per cent to 40 per cent are imposed on luxury items, including textiles, tape recorders and multifunction radios, motor vehicles, colour television sets, refrigerators, washing machines, air conditioners, cameras, and photo enlargers.

64. Import licences are required for a range of products including several agricultural products, medicinal plants, tobacco products, mineral oils, wood and wood pulp, and all the products for which the import surcharge is levied.

65. This trade regime is to be substantially liberalized, with a view to China becoming a founding member of the future World Trade Organization.

66. **Tunisia.** Statutory rates of customs duty range from 15 per cent to 43 per cent. Rates at the lower end of this range are charged on selected basic foods, industrial inputs, machinery and equipment. Higher rates apply to fish, meat, vegetables, fruits, food preparations and industrial consumer goods.

67. MFN duty rates were fixed for some 900 tariff lines at the time of Tunisia's accession to GATT in the mid-1990s. These rates range from 17 per cent to 52 per cent but if an MFN rate exceeds a statutory one, the latter applies.

68. Reduced or suspended rates are applied on raw materials, semi-finished products and other articles required by agriculture, approved industries and investment projects, as well on selected consumer goods.

69. Tunisia grants preferential duty rates on live sheep and goats, certain medicaments and fertilizers, man-made and cotton yarns, structures of iron and steel, copper bars and rods, certain tools, water heaters, agricultural machinery, electric generators and motors, tractors, ships and medical instruments to 15 signatories of the Protocol Relating to Trade Negotiations Among Developing Countries sponsored by GATT.

70. **Turkey.** After two decades of applying typical import substitution policies with little success, a comprehensive programme of economic reform started in 1980 and was still being pursued recently. The main elements of this programme included: liberalization of import regimes, re-evaluation and restructuring of the export incentive system, introduction of a flexible exchange rate system, simplification of the procedures involved in obtaining export incentives and import licences.

71. A further important element was added to the liberalization of the trade regime in 1983, when a positive list was prepared instead of a negative list (where imports of all the items not referred to were prohibited). Important changes in the exchange regime followed suit, allowing, among other things, the import of every kind of foreign currency into Turkey.

72. In 1987 the Turk Eximbank was created, to provide export credit, insurance and guarantees to Turkish exporters. Heavy investment was made in transport, communications and other infrastructure. Finally, in January 1990, a new import regime was introduced, with significant reductions or eliminations of import duties on 2,061 products or product groups.

73. Trade growth in this period was remarkable, with exports increasing fivefold and imports threefold in 12 years.

74. **Republic of Korea.** General rates range from zero to 20 per cent. The simple average tariff for the industrial sector in 1992 was 10.2 per cent. The equivalent figure for the agricultural sector was 19.8 per cent. A tariff reduction of 8 per cent was made in 1993, in accordance with the five-year tariff reduction programme, which started in 1984 and brought average industrial tariffs down from 20.6 in 1984 to their present level. As for non-tariff barriers, 242 items, mainly agricultural, forestry and fishery goods, face import restrictions. Of these, the most strict are applied to rice and barley for which an effective quota limit of zero is set.

75. Being a member of GSTP, the Republic of Korea grants preferential duty rates (of 10 per cent of the MFN rate in most cases) to items included in 26 tariff lines.

76. The Korea Trade Promotion Corporation, created in 1962, contributed to the promotion of the Republic of Korea's exports. It has at present 81 overseas branches in 61 countries. General trading companies also play an important role in export growth, especially by backing world-wide sales of small and medium-sized firms. Foreign investment has also been liberalized in the last decade.

77. **Philippines.** General rates of duty have four levels (3 per cent, 10 per cent, 20 per cent and 30 per cent); within this structure a minimum tariff duty of 3 per cent is set on basic items, 10 per cent on raw materials, 20 per cent on intermediate goods and 30 per cent on finished goods. This system is being phased in from August 1991 to July 1995. However, there are some exceptions: for 531 items, the tariff applied in 1992 was 50 per cent and, for another 178 items it was higher than 50 per cent.

78. The nominal unweighted average tariff was 25.6 per cent in 1992. The nominal unweighted average tariff for agricultural products (41.1 per cent), was significantly higher than that for industrial products (23 per cent).

79. As a member of ASEAN, the Philippines applies full or partial (25-50 per cent) exemption of duty on most imports of ASEAN origin. In addition, mutual tariff reductions and movement toward an ASEAN Free Trade Area (AFTA) are scheduled for implementation within 15 years. A common effective preferential tariff scheme will be implemented for certain agricultural and capital goods with an ASEAN content of at least 40 per cent, but will not apply to agricultural raw materials. Tariffs on these products will be cut to 20 per cent within five to eight years from 1 January 1993, with a reduction to 5 per cent in subsequent years. Quotas and other non-tariff barriers for these products will be eliminated within five years. Some imports, mostly of foodstuffs, are prohibited.

80. **Kenya.** The ad valorem duties range from zero to 70 per cent, the latter rate being much more widely applied than the former. Reduced or suspended rates are applied on machinery, raw materials and equipment required by promoted industries for the manufacture of certain goods intended for the local market as well as for export.

81. Preferential duty rates apply for PTA members. Elimination of non-tariff barriers for PTA products and the implementation of a common external tariff are scheduled for 1999. Tariff reductions are envisaged in two-year steps starting in 1993.

82. Besides tariffs, the most strict form of trade measure is the restrictive foreign exchange allocation - payments for imports can only be obtained for import goods which are licensed by the Director of Internal Trade and are allocated according to the priority the goods have for the Kenyan economy. Capital goods, intermediate goods and raw materials have the highest priority.

83. **Thailand.** Duties range from zero to 100 per cent, with agricultural goods taxed at zero to 65 per cent, and industrial goods 50 per cent or less (except motor vehicles, textiles, perfumery, cosmetics, furs and colour television sets, for which a 100 per cent rate applies). A 5 per cent rate is levied on most machinery and equipment.

84. A restructuring of customs duties has been approved. The current system of 20 different rates will be replaced by one with only six rates. Under the new scheme raw materials will be taxed at zero or 5 per cent, semi-finished goods at 20 per cent, machinery at 30 per cent and motor vehicles at a different rate.

85. Reduced or suspended rates are applied to raw materials, semi-finished goods, machinery and equipment required by promoted industries. Under the GSTP, Thailand grants preferential duty rates (of 10 or 20 per cent of the MFN rate) on certain goods. Under the agreement on ASEAN Preferential Trading Arrangements, the margin of preference ranges from 25 per cent to 50 per cent. Only 10 per cent of traded items remain on the exclusion list.

86. Some common features can be distinguished in this sample of countries: First, tariff structures are complicated in many developing countries. Some countries have already recognized the need to simplify these structures, e.g. Thailand, which is now in the process of consolidating 20 different tariff rates into a more manageable system of only five rates.

87. Preferential rates accorded to different groups of countries also complicate the tariff structure; India, for instance, has bilateral agreements with Bhutan, Myanmar and Nepal, has accorded concessions to Mauritius, Seychelles and Tonga, has tariff reduction agreements with two different groups of developing countries (Bangkok Agreement and GSTP)[16]. Although not as striking, most of the countries in the sample have also several preference arrangements. Complex tariff structures are not intrinsically bad but the administrative costs they entail in both the importing and the exporting country should not be disregarded.

88. Another common feature is the high effective rate of protection when compared with the nominal rate of protection. The tariff structures in Thailand and the Philippines are the most salient examples, with low rates for raw materials, medium rates for intermediate goods and high rates for finished goods. Other countries in our sample follow the same policy, although not as explicitly (Kenya, Tunisia). The level of protection of domestic industry is thus higher than that implied by the tariff rate levels.

89. As mentioned above, several trade preference arrangements have entered into force among developing countries, some regionally oriented, such as LAIA or the Bangkok Agreement, some broader in scope, such as the GSTP. However, many of

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[16] In some cases, membership overlaps: Bangladesh and Sri Lanka belong to both.

these arrangements are not effective. In many cases, concessions were given in tariff lines for which the importing countries have a strong competitive advantage, a very low general (MFN) tariff rate or important non-tariff barriers. This is the case with Brazilian imports from LAIA (of which only 1.9 per cent are covered by preference agreements) and the Republic of Korea's imports, for which the MFN rate ranges from 0 to 20 per cent. In this context, rather than creating new arrangements, developing countries should concentrate on the consolidation of those already existing.

E. Availability of convertible currency

90. Trade can only occur when importing countries have access to foreign exchange acceptable to exporters. In the 1980s and, to a lesser extent, at the beginning of this decade, most developing countries suffered from severe balance-of-payments problems as a consequence of (i) sharp declines in commodity prices and consequent decreases in export earnings, (ii) serious limitations in credit and (iii) extended positions in foreign debt, which resulted in lumping together general purpose lending and credit. This superimposing of credit risk on country risk resulted in a severe decline in all forms of commercial credit.

91. In many developing countries, the lack of hard currency and the unwillingness of trade partners to accept domestic currency introduced a binding foreign-exchange constraint in trade, compelling these countries to introduce restrictive trade measures against developed and developing countries alike.

92. However, South-South trade in general and intra-grouping trade in particular, suffered most from this lack of currency convertibility due to the higher elasticity of demand for developing countries' products. Moreover, when foreign exchange is scarce, exporters are not as interested in being paid in their own currency, if this currency is not fully convertible. This constraint greatly affects South-South trade, in particular pre-shipment credit in foreign exchange for exports of capital goods and manufactures requiring input imports.

93. At the peak of the "debt crisis", intra-grouping trade dropped drastically both in absolute terms and as a share of total South-South trade which, as already mentioned, was also falling as a share of total world trade. Many integration groupings (especially in Latin America and Africa) were forced to introduce trade restrictions, reversing the process of trade liberalization previously agreed (see TD/B/260).

F. Variability of exchange rate

94. One other consequence of the balance-of-payments crisis affecting the developing world was the considerable change of course in terms of economic policy which included, inter alia, a substantial devaluation of national currencies. Although the long-term effects of this devaluation on trade may be positive, given the overvaluation of many currencies of developing countries in the 1980s, the short-term impact of devaluations distorted intra-grouping trade patterns, disrupted production in certain sectors and rendered domestic prices of other developing country exports uncertain.

95. The debate concerning the impact of exchange rate variability on international trade is far from settled. A study by the International Monetary Fund[17] reports that "the large majority of empirical studies on the impact of exchange rate variability on the volume of international trade are unable to establish a systematically significant link between measured exchange rate variability and the volume of international trade".

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[17] International Monetary Fund, 1984, "Exchange rate volatility and world trade", occasional paper no. 28.

Table 3. Brazil's trade balance with Argentina, 1990-1992 (millions of US dollars)		
Sector	1990	1992 Jan.-June
Transport equipment	5.75	289.50
Metalworking and electrical machinery	-13.58	139.95
Chemicals and related products	19.24	100.44
Metal manufactures	39.68	143.70
Mineral products	90.38	51.88
Textile yarns, fabrics, etc.	-38.60	35.47
Pulp and paper	-27.54	48.53
Crude animal materials	-180.07	6.85
Crude vegetal materials	-541.71	-271.34
Foodstuffs, beverages, tobacco	-31.15	11.62
Rubber products	13.56	48.88
Glass and clay	6.94	13.89
Hides and skins	-35.20	-48.69
Fat, animal and vegetable oils	-28.51	-13.74
Optical instruments	-7.05	-3.22
Other	-20.21	29.25
Total	-748.07	582.97

Source: Mercosul, Jan.-June 1992. CTIC/Decex.

96. A more recent study[18], using data for the G7 group of countries, goes in the same direction but points out that, if the real exchange rates were more variable, trade could decrease by as much as 9 per cent. This higher volatility of real exchange rates is likelier to occur in some developing countries with managed exchange rate systems but high (or hyper) inflation rates.

97. The variability of exchange rates under a generalized floating exchange rate regime has an uneven impact on relative prices expressed in different currencies. Hence, the price competitiveness becomes subject to non-systematic and unpredictable variation.

98. In Mercosur, the evolution of Brazil-Argentina trade exemplifies this exchange rate question. In 1990, Brazil accumulated a US$ 748 million trade deficit with Argentina. In the first half of 1992, the balance had changed in favour of Brazil to the tune of US$ 583 million (see table 3). While Brazil's deficit in 1990 was mainly due to products of vegetal origin, it is difficult

[18] Gagnon, Joseph E., 1993, "Exchange rate variability and the level of international trade", Journal of International Economics, vol. 34, pp. 269-287.

to single out one or two sectors that would explain the 1992 positive balance. One striking feature, however, is Brazil's surplus in products of animal origin, traditionally considered a product in which Argentina has a world-wide comparative advantage.

99. During the same period the value of the Brazilian cruzeiro in real terms[19] against the Argentinean peso fell by around 75 per cent. Although other factors may have contributed to the trade performance of Brazil, such as the difficult domestic conditions and the better capacity of Brazilian exporters to take advantage of changes in the exchange rate, the effect that big fluctuations in real exchange rates can have on trade flows seems clear.

100. A similar example can be found among member countries of the Economic Community of West African States (ECOWAS), about half of which joined the CFA zone and the other half of which face high inflation problems.

G. Disincentives and other bias

101. The main distinction between the policy-induced obstacles referred to above and the disincentives to trade among developing countries is the level at which the policy instruments are utilized. Disincentives include internal policy measures, as opposed to policies implemented at the border, such as subsidies to specific sectors or industries, maintenance of an overvalued exchange rate, allocation of scarce foreign reserves, different internal tax treatment, bureaucracy bias towards certain sectors, and a murky legal and regulatory environment, which usually serve to discourage exports.

102. The first, and classical, studies to take these disincentives into account[20] did so by defining a formal index of a country bias against exports. The index was in the form of a ratio between the exchange rate faced by the importers to that faced by the exporters[21]. Their empirical findings pointed to the existence of a strong bias against exports in the majority of the countries studied[22].

103. It should be noted that, as the authors recognized, the ratio is based on average incentives. Thus a country can protect some sectors and still present

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[19] Using the consumer price index as deflator.

[20] Krueger, A. O., Foreign Trade Regimes and Economic Development: Liberalization Attempts and Consequences, and Bhagwati, J., Anatomy and Consequences of Exchange Control Regimes, Ballinger Press for the National Bureau of Economic Research, Cambridge, 1978.

[21] This index is defined as the ratio of the exchange rate effectively paid by importers (EER_M) to the exchange rate effectively faced by exporters (EER_X). More specifically the effective exchange rate for exports is calculated as the nominal exchange rate applied to exports (E_X) corrected by export subsidies (s) and other incentives to export (r), including export encouragement schemes:

$$EER_X = E_X(1 + s + r)$$

The effective exchange rate for imports is defined as the nominal exchange rate applicable to imports (E_M), corrected by the average import tariff (t), other import surcharges (n) and the premium associated with the existence of import restrictions, such as import licenses (PR):

$$EER_M = E_M(1 + t + n + PR)$$

The degree of bias of the trade regime is given by :

$$B = EER_M/EER_X$$

If this ratio (B) is greater than one it is said that the trade regime is biased against exports.

[22] Chile, Colombia, Egypt, Ghana, India, Israel, Philippines, Republic of Korea, Turkey.

a ratio close to one (i.e. a seemingly neutral trade regime). Moreover, an active policy of export subsidies can (in terms of the ratio) be balanced by import surcharges or a dual exchange rate system penalizing exporters. The proposed index therefore captures not the precise incidence of incentives and their pattern but their average impact.

104. In spite of these shortcomings, the studies successfully highlighted the importance of the exchange rate in trade policy. An overvalued exchange rate, by making foreign exchange scarce, obliges governments to create some mechanism of foreign exchange allocation. This, in turn, leads to a scarcity premium on imports. Resources are thus diverted to less efficient (import-substituting) industries. Furthermore, since in many cases there is no clear-cut system of allocating foreign exchange, economic agents have a strong incentive to divert resources into non-productive activities such as lobbying in order to obtain their "share" of foreign exchange.

105. The process of lowering external barriers followed by many developing countries from the mid-1980s onwards had a counterpart in the reduction of the bias against exports, especially the allocation of foreign currency, currency overvaluation and the harsher fiscal treatment reserved for export companies. However, particularly in big and/or federal countries, provincial or state authorities can still have a substantial influence on privileges accorded to non-export-oriented companies.

106. The pace of economic liberalization, especially when imposed from outside, has also contributed to a less-than-clear policy framework, allowing bureaucrats to adopt more control practices than required.

107. In conclusion, the idea of "disincentives" has been historically associated with regimes of import-substitution, where governments made it more attractive for economic agents to carry out activities substituting for imports rather than those involving exports. The devices most used in this connection have been the exchange rate, tariff protection and the direct subsidization of domestic producers. Moreover, the historical pattern of protectionism has added an indirect device on account of its chaotic application, non-transparent in its specifics and ad hoc in its incidence, thereby creating a heightened perception of risks regarding exports as compared with the protected sureness of import substitutes.

H. Effects of structural adjustment on South-South trade

108. Although the peak of the "debt crisis" occurred in the second half of the 1980s many developing countries, especially in Africa, continue to suffer from a prolonged recession. The late 1970s and early 1980s recession in OECD countries, the sharp rise in interest rates, the substantial increase in the oil price and the fall in commodity prices had a devastating impact on the external account of many developing countries. Countries with access to international capital markets went on a borrowing spree to finance their current account deficit which, given the longer than usual period of imbalances, was not sustainable.

109. The debt crisis that followed forced developing countries to change their priorities from long-term development considerations to short-term balance-of-payments considerations. It was necessary, in a relatively short period of time, to improve drastically the trade balance. A reduction of indebtedness relative to exports became for many countries the prime goal of policy to which all other objectives were subordinated. To achieve this, many countries cut their imports brutally, depressing GDP as well. Investment was affected, impairing future growth.

110. In this context, export expansion was a prime priority. The countries which, at the time, had already build up a relatively diversified export structure were able to enforce devaluations and other policies, enabling them to maintain positive growth rates. Other countries, however, especially those

which relied on commodities for most of their export earnings, were not capable of expanding exports rapidly.

111. The regional differences that ensued in trade performance have already been referred in chapter I, which draw attention to the increasing share of South-South trade accounted for by South and South-East Asia and the corresponding decline of the other regions, notably in Africa.

112. The African region deserves special attention because of the combined effects of declining terms of trade (40 per cent drop from 1981 to 1991, as compared with a 25 per cent decline for all developing regions)[23] and a lack of production capacity in non-traditional exports.

113. The structural adjustment programmes that most African countries have been following since the mid-1980s and that were promoted by the Bretton Woods institutions, among others, seems to have been, at most, very modestly successful. In terms of trade, the decline in the real price of exports, coupled with a poor export performance, led to a decline in the purchasing power of African exports of about 37 per cent from 1980 to 1991[24]. Africa lost market shares to both developed and developing countries (e.g. palm oil to Indonesia and Malaysia, coffee to Indonesia, cotton to Pakistan).

I. Need for closer cooperation within economic groupings

114. The trade liberalization approach followed in most economic integration schemes in the developing world seems to have failed to address some important issues. In some cases, it appears that the tariffs concerned in trade preferences were those carrying high duties rather than those related to products with export potential; in other cases, concessions resulted in reductions of duties bound under GATT but not necessarily of those currently applied, making the concessions meaningless.

115. Recently, a new impetus has been given to the process of regional economic integration, with the creation of new groupings, such as Mercosur and the ASEAN Free Trade Area and with the revitalization of existing arrangements. A more realistic approach seems to be followed, recognizing that the creation of economic groupings implies the transfer of some national sovereignty to a supranational body.

V. CONCLUSIONS

116. South-South trade has been increasing consistently over the last seven years. However, most of this growth has been generated by a small group of dynamic developing countries. For this trend to be extended to and consolidated in other developing regions, some clear measures should be taken.

117. First, governments must endow their respective countries with a stable economic environment in which both private and public agents can thrive. This supposes a stable macroeconomic framework, a continuity in government policies, the development of human resources and technological capabilities, the provision of basic infrastructure in transport and communications, and institutional capacity.

118. These conditions must be met to ensure the continued improvement of developing countries' production and export structures and, consequently, their

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[23] "UNCTAD Trade and Development Report", UNCTAD/TDR/13, 1993.

[24] Ibid.

ability to fully exploit their trading potential with other developing countries. However, this in turn means that an adequate amount of resources, in human and capital terms, must be committed. Given the present scarcity of such resources in many developing countries, especially in Africa, no sudden short-term improvement can reasonably be expected.

119. Measures with more direct effect can, however, be taken. At the global level, a stronger commitment to GSTP seems to be the most promising way forward. GSTP potential to increase trade among developing countries markedly remains a hostage to the low number of countries participating in it, the low number of concessions agreed and the scant relevance of many of those concessions. In this context, a much required change is to replace the present scheme of trade preference negotiation (tariff line by tariff line) by an across-the-board scheme, preferably as a percentage of statutory or MFN rates, thus diminishing the erosion of trade preferences through the general reduction of tariff rates.

120. Also at the regional level a more coherent policy towards preferences is needed. Efforts should be made to ensure that trade preferences agreed within integration groupings are trade-creating and not trade-diverting preferences, thus ensuring that the regional integration process is a stepping-stone to integration in the world economy at large and not the opposite.

121. Regional integration groupings should also pursue their efforts to coordinate national macroeconomic policies. Encouraging, in this sense, is the departure that many integration groupings are now making from cooperation agreements based on trade measures alone. Cooperation in building infrastructure such as transport and communications networks is a much needed tool to reduce South-South transport and communications costs.

122. The inclusion of trade in services in the regional integration processes could also have a significant impact on other constraints on South-South trade, namely the availability and price of banking and insurance services.

123. As for currency convertibility and exchange rate questions, governments should emphasize market forces in the determination of the exchange rate. This ensures convertibility and stability and eliminates costs associated with complicated regimes of scarce foreign exchange allocation. At the regional level, countries could create or reinforce clearing mechanisms.

124. Foreign direct investment, as a provider of capital and technology and as a way of improving managerial skills and training labour, can also have a direct impact on a country's ability to improve its trading potential. Therefore, governments must take action to attract foreign direct investment flows, by establishing clear, stable and non-discriminatory legal systems, liberal profit and capital repatriation regimes, and loose ownership and local-content requirements.

125. A more serious effort is also required in the area of export promotion and marketing. Some developing countries, particularly in the South-East Asian region, have been able to create a network of public and/or private trading companies, thus providing their exporters with important trade support services. In other developing countries, such facilities remain to be created or significantly improved, particularly on the public side.

Table I. Total inter-regional trade, 1970-1991
(millions of US dollars (f.o.b.))

	Developing countries				World			
Origin	1970	1980	1986	1991	1970	1980	1986	1991
America	3 401	28 893	20 829	31 962	17 513	107 879	86 045	136 589
Africa	1 376	12 629	7 086	8 740	12 021	94 942	46 829	65 267
West Asia	2 183	53 215	36 619	35 605	10 543	210 976	79 150	99 569
South & South-East Asia	4 086	45 937	50 962	143 890	14 278	141 561	193 016	440 295
Oceania	10	198	336	586	482	2 184	2 121	3 304
Total developing	11 241	142 416	117 424	221 280	56 517	566 520	417 458	749 729
World	59 137	481 202	439 368	729 517	311 905	2 000 950	2 112 988	3 507 757

Source: UNCTAD secretariat

Table II. Inter-regional trade in manufactures, 1970-1990
(millions of US dollars (f.o.b.))

Origin	Developing countries				World			
	1970	1980	1986	1990	1970	1980	1986	1990
America	821	8 192	7 340	13 067	1 855	15 880	20 963	41 165
Africa	373	949	1 696	2 547	841	3 821	5 252	10 070
West Asia	236	3 846	5 848	7 407	464	6 422	10 135	20 119
South & South-East Asia	1 804	24 084	32 519	84 480	6 208	72 153	136 273	299 704
Oceania	3	30	76	155	84	268	279	542
Total Developing	3 402	38 341	48 851	109 196	10 455	105 077	181 202	382 634
World	39 947	296 077	291 607	518 225	189 913	1 085 160	1 428 031	2 412 315

Source: UNCTAD secretariat

Table III. Degree of concentration of export industries in developing countries
(percentages)

	Country or territory	(3)	(8)	A	B	C	D
1	Afghanistan	68.24	86.31		x		
2	Algeria	95.99		x			
3	Angola	97.49		x			
4	Argentina	26.75	47.46				x
5	Bahamas	88.57		x			
6	Bahrain	84.32		x			
7	Bangladesh	42.7	76.81			x	
8	Barbados	46.2	62.93				x
9	Belize	64.88	89.74		x		
10	Bolivia	58.6	82.08		x		
11	Brazil	18.26	36.85				x
12	Brunei Darussalam	89.9		x			
13	Burkina Faso	82.22		x			
14	Burundi	91.92		x			
15	Cameroon	40.22	62.7				x
16	Central African Republic	79.66	95.2		x		
17	Chad	67.53	72.86			x	
18	Chile	56.1	73.52				x
19	China	15.78	30.56				x
20	Colombia	52.98	73.23				x
21	Congo	90.92		x			
22	Costa Rica	50.92	65.36				x
23	Côte d'Ivoire	57.75	81.33		x		
24	Cuba	86.86		x			
25	Cyprus	37.37	60.25				x
26	Dominica	83.92		x			
27	Dominican Republic	69.12	91.62		x		
28	Ecuador	75.16	93.79		x		
29	Egypt	45.45	72.06				x
30	El Salvador	53.62	68.54				x
31	Ethiopia	73.41	89.18		x		
32	Fiji	61.77	80.81		x		

Table III (continued)

33	French Guiana	64.72	78.64				x
34	Gabon	90.61		x			
35	Ghana	68.11	86.74		x		
36	Guadeloupe	68.97	82.09		x		
37	Guatemala	47.28	63.14				x
38	Guinea	95.29		x			
39	Guyana	71.18	89.72		x		
40	Haiti	28.61	56.75			x	
41	Honduras	69.26	83.26		x		
42	Hong Kong	26.77	47.11				x
43	India	26.8	42.78				x
44	Indonesia	47.86	63.93				x
45	Iran, Islamic Republic	95.27		x			
46	Iraq	85.14		x			
47	Jamaica	74.24	84.99		x		
48	Jordan	57.96	72.81				x
49	Kenya	55.37	71.63				x
50	Korea, Republic of	18.34	34.66				x
51	Kuwait	74.36	80.27		x		
52	Liberia	73.8	83.47		x		
53	Libyan Arab Jamahiriya	94.65		x			
54	Macau	47.44	79.19				x
55	Madagascar	62.03	79.78			x	
56	Malawi	85.95		x			
57	Malaysia	33.7	56.19				x
58	Mali	79.78	89.04		x		
59	Malta	53.45	67.82				x
60	Martinique	69.86	83.31		x		
61	Mauritania	93.28		x			
62	Mauritius	60.03	85.5		x		
63	Mexico	46.19	56.38				x
64	Morocco	28.68	51.45				x
65	Myanmar	62.01	88.96		x		
66	Nepal	80.26		x			

Table III (continued)

67	Netherlands Antilles	96.75		x			
68	New Caledonia	98.16		x			
69	Nicaragua	54.41	80.64		x		
70	Niger	95.78		x			
71	Nigeria	98.08		x			
72	Oman	92.32		x			
73	Pakistan	39.1	67.38				x
74	Panama	56.79	71.28				x
75	Papua New Guinea	73.72	92.84		x		
76	Paraguay	77.31	89.76		x		
77	Peru	46.88	67.74				x
78	Philippines	31.67	48.49				x
79	Qatar	83.4		x			
80	Reunion	80.07		x			
81	Rwanda	90.71		x			
82	Samoa	54.1	73.2			x	
83	Saudi Arabia	87.5		x			
84	Senegal	39.25	75.51				x
85	Sierra Leone	53.42	66.62			x	
86	Singapore	35.46	51.06				x
87	Solomon Islands	55.57	84.8		x		
88	Somalia	82.99		x			
89	Sri Lanka	47.5	71.03				x
90	Sudan	64.53	85.43		x		
91	Syrian Arab Republic	67.54	84.19		x		
92	Taiwan Province of China	14.88	31.59				x
93	Thailand	15.77	35.8				x
94	Togo	74.8	89.04		x		
95	Tonga	66.52	95.65		x		
96	Trinidad and Tobago	73.53	87.68		x		
97	Tunisia	38.53	59.45				x
98	Turkey	17.94	40.05				x
99	Uganda	95.64		x			
100	United Arab Emirates	88.31		x			

Table III (continued)

101	United Republic Tanzania	49.42	68.07			x	
102	Uruguay	40.43	58.98				x
103	Vanuatu	63.54	75.14			x	
104	Venezuela	83.68		x			
105	Yugoslavia	12.8	26.57				x
106	Zaire	82.65		x			
107	Zambia	86.01		x			
108	Zimbabwe	42.02	63.48				x

(3) = Share in total exports of three most-exported products as defined in SITC Rev. 2, group (3-digit) level (ranked by average 1989-1990 values)

(8) = Share in total exports of eight most-exported products as defined in SITC Rev. 2, group (3-digit) level (ranked by average 1989-1990 values)

A = Countries in which (3) is higher than 80 per cent
B = Countries in which (8) is higher than 80 per cent
C and D = Remaining countries, of which C indicates LDC's.

Source: UNCTAD Handbook of International Trade and Development Statistics, 1992.

Table IV. C and D countries by region

America	Argentina, Barbados, Brazil, Chile, Colombia, Costa Rica, El Salvador, French Guiana, Guatemala, Haiti, Mexico, Panama, Peru, Uruguay
Europe	Cyprus, Malta, Turkey, Yugoslavia
Middle East	Egypt, Jordan, Morocco, Tunisia
Africa	Cameroon, Chad, Kenya, Senegal, Sierra Leone, United Rep. of Tanzania, Zimbabwe
Pacific	Samoa, Vanuatu
Asia	Bangladesh, China, Hong Kong, India, Indonesia, Macau, Malaysia, Pakistan, Philippines, Rep. of Korea, Singapore, Sri Lanka, Taiwan Province, Thailand